

Message Text

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PAGE 01 CAIRO 07003 161516Z

21

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 IO-10 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 OMB-01 AID-05 TRSE-00 SAM-01 SAB-01 COME-00

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5203

INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: AFIN EG CA

SUBJECT: POSSIBLE CANADIAN LOAN ASSISTANCE TO EGYPT

1.DURING CALL JULY 16 BY CANADIAN AMBASSADOR TOUCHETTE FOLLOWING HIS ABSENCE ON MONT'S LEAVE, CHARGE REFERRED TO ARTILCE ON FRONT PAGE OF AHRAM OF SAME DATE INDICATING THAT CANADIAN GOVT HAD EXPRESSED ITS READINESS TO EXTEND "PAYMENT FACILITIES" TO EGYPT UP TO TOTAL OF \$500 MILLION. TOUCHETTE CONFIRMED THAT CANADA HAD INDEED RECEIVED A REQUEST FOR \$500 MILLION IN SOFT LOAN CREDITS EARLY IN APRIL FROM THEN TRADE MINISTER MAHBOULI, A FEW DAYS BEFORE HE LOST HIS CABINET POSITION. TOUCHETTE HAD CONVEYED CANADIAN REPLY JULY 15 TO NEW TRADE MINISTER TEWFIK ABDEL FATTAH INDICATING CANADA WAS WILLING TO CONSIDER PROVIDING CREDIT ON A CASE-BY-CASE BASIS FOR PROJECTS BUT WAS NOT PREPARED TO EXTEND LINE OF CREDIT FOR AMOUNT REQUESTED. TOUCHETTE SUGGESTED THAT CANADIANS WOULD BE WILLING TO GO AS HIGH AS \$100 MILLION ON THIS BASIS.

2. ONLY PROJECTS CANADIANS PRESENTLY HAVE UNDER
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PAGE 02 CAIRO 07003 161516Z

CONSIDERATION ARE: 1) SALE OF LOCOMOTIVES TO EGYPTIAN

RAILWAY (IN WHICH IT IN COMPETITION WITH US);
AND 2) EXPANSION OF ALEXANDRIA COPPER WORKS TO PROCESS
ALUMINIUM, INVOLVING ALUMINUM COMPANY OF CANADA AND CREDIT OF
\$27 MILLION.

3. TEWFIQ ALSO INDICATED GOE WANTED TO DISCUSS POSSIBILITY
OF PURCHASING CANADIAN WHEAT. TOUCHETTE NOTED THAT
CANADIANS ARE NOT TOO ENTHUSIASTIC ABOUT THIS IDEA,
SINCE THEY ARE ABLE TO SELL ALL THE WHEAT THEY WANT FOR
HARD CASH. NEGOTIATIONS WITH THE EGYPTIANS LAST YEAR
FOUNDERED ON QUESTION OF PRICE, ALTHOUGH TOUCHETTE
NOTED THAT CANADIANS, IF NEGOTIATIONS HAD PROGRESSED
FURTHER, WOULD HAVE BEEN WILLING TO OFFER \$80-100
MILLION LOAN FOR THIS PURPOSE AT EIGHT TO NINE PERCENT
INTEREST. HOWEVER, NEGOTIATIONS NEVER REACHED STAGE
WHERE CANADIANS REVEALED OFFER. APPARENTLY GOE DID
MAKE SOME PURCHASES OF CANADIAN WHEAT LATER, USING
COMMERCIAL BANK FACILITIES OBTAINED AT MUCH HIGHER RATE
OF INTEREST. TOUCHETTE COMMENTED THAT GOC UNLIKELY
MAKE SIMILAR OFFER DURING FORTHCOMING NEGOTIATIONS,
SINCE PREVIOUSLY-FELT PRESSURE TO MAKE SOME GESTURE
TOWARD ARAB COUNTRIES TO ASSURE CONTINUED FLOW OF
ARAB OIL NO LONGER EXISTED.

4. CANADIANS ARE IN VERY GOOD POSITION DEBT-WISE
WITH RESPECT TO EGYPT. TOUCHETTE SAID GOE OWES ONLY
\$2-3 MILLION AND UP UNTIL LAST MONTH HAD MADE ALL
PAYMENTS ON TIME.
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